

New Neighbors Program Highlights

Introduction	The New Neighbors Program is designed to provide homeownership opportunities to first-time and non-first-time homebuyers who wish to purchase and rehabilitate existing 1-4-unit properties located within eligible designated downtown areas of Maine. Special financing features allow homebuyers to finance 100% of the purchase price and rehab costs or after rehab appraised value, whichever is less. This eliminates the need for traditional mortgage insurance and provides an adequate source of rehab funds.																																																											
Eligible Borrowers	Both first-time and non-first-time homebuyers may participate in the New Neighbors program. A first-time homebuyer has not had an ownership interest in his or her principal residence in the past three years. A non-first-time homebuyer is someone who may have had an ownership interest in his or her principal residence within the past three years, but no longer owns or occupies the property at the time of closing. Non-first-time homebuyers must have sold their home prior to closing, if they still own the home at time of application. If they still own the home, they must not have occupied it within the last three years in order to be eligible.																																																											
Gross Annual Household Income Limits	<table><tr><td></td><td colspan="4">Maximum Gross Annual Income</td></tr><tr><td></td><td colspan="4">Household Size</td></tr><tr><td>Municipality</td><td colspan="2">1-2 Person</td><td colspan="2">3 or More</td></tr><tr><td>Auburn</td><td colspan="2">\$51,960</td><td colspan="2">\$60,620</td></tr><tr><td>Augusta</td><td colspan="2">\$51,720</td><td colspan="2">\$60,340</td></tr><tr><td>Bangor</td><td colspan="2">\$52,320</td><td colspan="2">\$61,040</td></tr><tr><td>Bath</td><td colspan="2">\$53,760</td><td colspan="2">\$62,720</td></tr><tr><td>Lewiston</td><td colspan="2">\$51,960</td><td colspan="2">\$60,620</td></tr><tr><td>Norway</td><td colspan="2">\$51,720</td><td colspan="2">\$60,340</td></tr><tr><td>Portland</td><td colspan="2">\$64,680</td><td colspan="2">\$75,460</td></tr><tr><td>Westbrook</td><td colspan="2">\$64,680</td><td colspan="2">\$75,460</td></tr></table>						Maximum Gross Annual Income					Household Size				Municipality	1-2 Person		3 or More		Auburn	\$51,960		\$60,620		Augusta	\$51,720		\$60,340		Bangor	\$52,320		\$61,040		Bath	\$53,760		\$62,720		Lewiston	\$51,960		\$60,620		Norway	\$51,720		\$60,340		Portland	\$64,680		\$75,460		Westbrook	\$64,680		\$75,460	
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Net Worth Limit	The total household net worth cannot exceed \$50,000.																																																											
Principal Residence	Borrower(s) must occupy the property as their principal residence within 60 days of closing, for the term of the loan. In the case of 2-4 unit properties, the borrower is required to occupy one unit.																																																											
Commercial Use Limit	No more than 10% of the total square footage of the residence can be used for business. This also applies to each unit in a 2-4 unit residence unless special conditions apply.																																																											
Eligible Neighborhoods	Only those properties located in the designated downtown areas, as determined by local Community Development offices of the following municipalities in Maine, are eligible for financing under the New Neighbors Program: Auburn, Augusta, Bangor, Bath, Lewiston, Norway, Portland, and Westbrook.																																																											
Eligible Property Types	Existing one, two, three and four unit homes and condominiums are eligible. Condos are limited to 10% of a municipality's New Neighbors loans.																																																											
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Property Standards	Properties acquired and rehabbed must meet HUD's Housing Quality Standards and all municipal and/or local codes. Appraisals should be performed subject to repairs being complete. Rehabilitation must begin within 60 days after closing and be completed within 6 months after closing. The municipality will outline a proposal to develop rehabilitation plans and conduct necessary inspections. Properties must meet BOCA code, NFPA 101 Life Safety code, Title 25 MRSA 2453, HUD Housing Quality Standards, CABO 1 and 2 unit, and other applicable codes. The use of any federal funds will trigger 24 CFR 35, which prescribes remediation of lead based paint hazards including clearance testing.																																																											
Financing	MSHA will provide borrowers with one regular first-lien mortgage amortized over 30 years and not																																																											

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	<p>to exceed 100% of the purchase price plus rehabilitation cost, or after rehabilitation fair market value, whichever is less.</p> <p>The interest rate will be MSHA's current First-Time Homebuyer or Great Rate interest rate, plus 50 basis points for self-insurance, in effect at the time of loan registration with Maine State Housing Authority.</p> <p>Up to \$5,000 can be used to cover the cost of materials when the borrower performs the rehabilitation.</p> <p>Three seller points will be charged on the loan amount that is not rehabilitation improvements. The borrower will pay three points on the portion that is improvements, if any.</p> <p>Local funds from participating municipality, local non-profits, or other sources may be used to fund rehabilitation costs, closing costs, and/or down payment/leveraging to eligible homebuyers. Amortizing loans will be secured by a junior mortgage, and may be deferred. Combined loan-to-value with additional funding cannot exceed 106%.</p> <p><u>Purchase & Sale Agreements involving 2-4 unit properties must contain a 120-day time period from contract to closing to allow adequate time for a current tenant to relocate if necessary. If the unit the MSHA borrower will occupy is currently vacant, this contract term will not apply.</u></p>																											
Homebuyer Education	Applicants must complete a 10-hour homebuyer education course meeting hoMEworks requirements. <u>Borrowers purchasing 2-4 unit properties must complete a landlord education class in addition to the standard homebuyer education course.</u> Statewide hoMEworks class schedule is available at www.mainehomeworks.org .																											
Underwriting Guidelines	Lenders will apply the guidelines provided in Chapters 2 & 3 of <i>Underwriting Fannie Mae's Community Lending Products</i> . Allowable debt-to-income ratios are 33% for housing and 38% for total debt. For borrowers purchasing 2-4 unit properties, 75% of the current gross monthly rent can be added to the borrower's income before calculating ratios. Rents cannot be raised for two years.																											
Minimum Cash Contribution	<p>Applicants must provide minimum cash contribution in accordance with their income as outlined below. Gifts are allowed, however the minimum amount may not be borrowed. All prepaid items are included in the borrower's cash contribution. Borrowers may be required to contribute more than the minimum contribution.</p> <table><tr><td><u>Minimum Cash Contribution:</u></td><td><u>\$750</u></td><td><u>\$1,000</u></td></tr><tr><td></td><td colspan="2"><u>Median Family Income</u></td></tr><tr><td><u>City</u></td><td><u><80%</u></td><td><u>>80%</u></td></tr><tr><td>Auburn, Lewiston</td><td>0 - \$34,640</td><td>\$34,641 - \$60,620</td></tr><tr><td>Augusta</td><td>0 - \$34,480</td><td>\$34,481 - \$60,340</td></tr><tr><td>Bangor</td><td>0 - \$34,880</td><td>\$34,881 - \$61,040</td></tr><tr><td>Bath</td><td>0 - \$35,840</td><td>\$35,841 - \$62,720</td></tr><tr><td>Norway</td><td>0 - \$34,480</td><td>\$34,481 - \$60,340</td></tr><tr><td>Portland, Westbrook</td><td>0 - \$43,120</td><td>\$43,121 - \$75,460</td></tr></table>	<u>Minimum Cash Contribution:</u>	<u>\$750</u>	<u>\$1,000</u>		<u>Median Family Income</u>		<u>City</u>	<u><80%</u>	<u>>80%</u>	Auburn, Lewiston	0 - \$34,640	\$34,641 - \$60,620	Augusta	0 - \$34,480	\$34,481 - \$60,340	Bangor	0 - \$34,880	\$34,881 - \$61,040	Bath	0 - \$35,840	\$35,841 - \$62,720	Norway	0 - \$34,480	\$34,481 - \$60,340	Portland, Westbrook	0 - \$43,120	\$43,121 - \$75,460
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Closing Cost Assistance	<p>MSHA will offer closing cost assistance to all applicants regardless of income. The program provides a credit equal to 2% of their original mortgage and 30 basis points are added to the borrower's interest rate.</p> <p>In addition to MSHA's Closing Costs Assistance, applicants under 80% of median income may also be eligible to obtain help with closing costs and/or leveraging from the municipality, a non-profit, and/or a lender with available grant funds and/or loans. See Minimum Cash Contribution.</p>																											
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Participating Lenders	<p>Please note that ALL MSHA lenders may participate in the New Neighbors Program; below is a list of those who are currently participating:</p> <table><tr><td>Androscoggin Savings Bank (207-784-9164)</td><td>Gorham Savings Bank (839-3342)</td></tr><tr><td>Bangor Savings Bank (800-432-1591)</td><td>Mechanics Savings Bank (786-5700)</td></tr><tr><td>Banknorth/Peoples Heritage (800-272-5559)</td><td>Merrill Merchants Bank (942-4801)</td></tr><tr><td>Bath Savings Institution (800-447-4559)</td><td>Northeast Bank (800-284-5989)</td></tr><tr><td>Gardiner Savings Institution (582-5550)</td><td>Norway Savings Bank (743-7986)</td></tr><tr><td></td><td>United/Kingfield Bank (877-816-2988)</td></tr></table>	Androscoggin Savings Bank (207-784-9164)	Gorham Savings Bank (839-3342)	Bangor Savings Bank (800-432-1591)	Mechanics Savings Bank (786-5700)	Banknorth/Peoples Heritage (800-272-5559)	Merrill Merchants Bank (942-4801)	Bath Savings Institution (800-447-4559)	Northeast Bank (800-284-5989)	Gardiner Savings Institution (582-5550)	Norway Savings Bank (743-7986)		United/Kingfield Bank (877-816-2988)															
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